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Report Highlights:

Sri Lanka's 2001/02 rice production is estimated to be 6 percent below last year's level as a year-end drought reduced the maha (main-season) crop. CY02 imports of rice and wheat are forecast at 80,000 and 900,000 tons, respectively, with the US share of wheat imports likely to remain at about 60 percent.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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RICE

Production

Sri Lanka's 2001/02 rice harvest is estimated at 1.82 million tons (milled basis), about 6 percent below last year's production as drought delayed planting and harvesting of the main season crop (maha). The yala crop (harvested in the fall of 2001) is estimated at 735,000 tons, and the maha crop (now being harvested) at 1.09 million tons. Last year's yala & maha harvests were 730,000 tons and 1.21 million tons, respectively. With favorable weather, production should rebound to about 1.9 million tons in 2002/03.

Rice is Sri Lanka's most important crop, occupying 34 percent of the cultivated area. Average yield, at 3.9 tons per hectare, is second only to Indonesia in the region. With annual population growth of 1.2% (and annual per capita consumption of 100 kgs) rice requirements are projected to rise to 2.20, 2.35, and 2.60 in 2005, 2010 and 2020, respectively. As further expansion in rice seedings is not possible, increased cropping intensities and productivity levels are being looked at to meet future rice requirements.

The Agriculture Ministry has identified two major production constraints. The first is that as there are two peak harvest periods, one in Feb/Mar (maha) and the other in Aug/Sep (yala), the glut of rice at these times tends to depress prices, reducing returns to farmers. Currently farm gate prices average only Rs. 13.50/kg. The second constraint is the fluctuation in yields due to heavy dependence on rainfall.

Consumption

As already noted, annual per capita consumption of rice is around 100 kgs, depending on wheat flour prices. Currently, rice prices have reached unprecedented levels, so flour consumption is increasing. According to reports, rice stocks in the northern part of the country (affected by the ethnic conflict), are around 40,000 tons, with prices as low as Rs.15/ kg, compared with Rs. 40/kg in Colombo. Demand for high quality rice in the local markets is increasing. Parboiled rice continues to be favored.

Trade

Rice imports increased to 56,000 tons in 2001 from 17,000 in 2000; with a more liberal import policy, they are forecast to reach 80,000 in CY 2002.

The government banned rice imports in July 2001. The ban was lifted in November and imports were permitted under license at zero duty until December 10, and at a 50% reduction to the existing duty of 35% until December 31, 2001 due to the Parliamentary election held December 5th. In an effort to lower rice prices, the government has decided to reduce the tariff to Rs. 7/kg. Already in 2002 the government-owned Cooperative Wholesale Establishment (CWE) has tendered for the import of 40,000 tons to ease prices in the domestic market. The government intends to maintain a buffer stock

so as to be able to intervene if shortages occur and prices rise.

India and Pakistan are Sri Lanka's major rice suppliers. Most imports are semi/wholly milled, with some broken also being imported into the country. The U.S. exported 1890 tons to Sri Lanka in 2000. No imports of US rice were recorded in 2001.

Marketing

Although the government's role in paddy marketing has been reduced, its constant and ad hoc intervention does not permit market forces to determine prices. The government has provided Rs. 690 million (\$7.4 million) to District Secretaries to be made available to cooperatives (as a revolving fund) for this season's maha harvest purchases. The CWE has also received Rs.300 million (\$3.2million) for paddy purchases. The government is also planning to maintain stocks with the Food Commissioner's Department, CWE, cooperatives and private bondsmen, to be released when rice is in short supply.

WHEAT

Production

There is no wheat cultivation in Sri Lanka. The country's entire wheat needs are met through imports.

Consumption

Sri Lanka has seen a steady increase in flour consumption with the introduction of many flour based products. The ease of preparation of these products (compared with rice based products) and their economy, have contributed greatly to their popularity. Most Sri Lankans consume at least one flour based meal a day. Per capita consumption is around 50 kgs. Although the flour industry has been privatized, the government still tends to involve itself in regulating flour prices, as this is a sensitive political issue. Current retail flour prices are Rs. 20-21 per kg, an increase from the pre-privatization price of Rs. 16.95. Flour distributed by the government was 670,000 tons in CY 2001, compared with 634,000 in CY 2000. Monthly flour distribution in tons follows:

MONTH	2000	2001
January	51,467	62,277
February	54,743	50,683
March	57,518	56,000
April	39,759	48,638
May	51,203	52,589

June	54,156	52,170
July	48,747	57,559
August	57,260	58,515
September	54,469	61,000
October	56,816	53,493
November	57,375	63,204
December	50,991	54,867
Total	634,864	670,995
Average/Month	52,905	55,916

In April 2001, the Sri Lankan government sold its flour mill in Trincomalee to Prima (Ceylon) Ltd. for \$65 million. (Prima built the mill and had operated it for nearly 30 years.) The sale effectively ended the monopoly on flour milling. Under the sales agreement, Prima is to buy wheat at its own cost, and operate the mill in a competitive, liberalized market. Prima also has responsibility for the distribution and storage of flour.

Attempts by the government to intervene to regulate prices for political reasons appear to violate at least the spirit of the agreement. Moreover, in the last few months the new government has expressed a desire to re-negotiate the pricing formula adopted by the company. Also, the Food Commissioners Department has stated that although the agreement requires Prima to maintain a 2-3 week buffer stock, this is not occurring as Prima does not wish to tie up capital. Meanwhile, distribution of flour appears to be going smoothly in all parts of the country.

The Prima mill produces an all-purpose flour from a 50/50 mixture of hard and soft wheat, as well as red wheat flour. The company recently introduced a brand of 'green flour' suitable for making Sri Lankan traditional food products. This flour was produced from a consignment of wheat recently purchased from India.

Trade and Competition

Since privatization of the mill, Prima has imported eight cargoes of wheat, six American and two Australian. Prima has continued the practice of blending soft and hard wheats to produce an all-purpose flour, its principal product. The government has entered into a tentative agreement with India for the import of 300,000 tons of Indian wheat over a period of 12 months, with 25,000 tons to be supplied each month. Although no specific terms have been concluded, Prima has purchased 20,000 tons of Indian wheat as a gesture of goodwill towards the new Sri Lankan government. Sri Lanka's CY 2001 wheat imports were 925,000 tons, compared with 915,000 tons in CY 2000. The US share was about 60 percent. All imports were commercial except for 45,000 tons imported from

the US under Section 416(b).

CY 2002 wheat imports are forecast at around 900,000 tons. The US is expected to consolidate its strong position judging by the imports of US wheat in the second half of CY 2001.

TABLES

Commodity, Rice Milled, PSD Table

PSD Table							
Country:	Sri Lanka						
Commodity:	Rice, Milled						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/2000		10/2001		10/2002	(MONTH/YEAR)
Area Harvested	770	770	730	735	0	730	(1000 Hectares)
Beginning Stocks	302	350	210	300	0	180	(1000 MT)
Milled Production	1940	1940	1950	1820	0	1900	(1000 MT)
Rough Production	2853	2853	2868	2676	0	2794	(1000 MT)
Milling Rate(.9999)	6800	6800	6800	6800	0	6800	(1000 MT)
TOTAL Imports	18	30	60	80	0	100	(1000 MT)
Jan-Dec Imports	60	56	30	80	0	100	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2260	2320	2220	2200	0	2180	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	2050	2020	2050	2020	0	2050	(1000 MT)
Ending Stocks	210	300	170	180	0	130	(1000 MT)
TOTAL DISTRIBUTION	2260	2320	2220	2200	0	2180	(1000 MT)

Commodity, Wheat, PSD Table

PSD Table							
Country:	Sri Lanka						
Commodity:	Wheat						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/2000		01/2001		01/2002	(MONTH/YEAR)
Area Harvested	0	0	0	0	0	0	(1000 Hectares)
Beginning Stocks	100	60	100	60	0	70	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	779	915	800	925	0	900	(1000 MT)
Jul-Jun Imports	779	870	800	915	0	915	(1000 MT)
Jul-Jun Import U.S.	465	505	0	450	0	450	(1000 MT)
TOTAL SUPPLY	879	975	900	985	0	970	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	779	915	800	915	0	900	(1000 MT)
Ending Stocks	100	60	100	70	0	70	(1000 MT)
TOTAL DISTRIBUTION	879	975	900	985	0	970	(1000 MT)

Commodity, Rice, Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Ton
Commodity:			
Time period:	Jan - Dec		
Imports for	2000		2001
U.S.	1,890	U.S.	0
Others		Others	
India	1,544	India	21,346
Pakistan	8,053	Pakistan	28,673
Australia	2,928	Australia	1,163
		Thailand	244
Total for Others	12,525		51,426
Others not listed	2,600		4,574
Grand Total	17,015		56,000

Commodity, Wheat, Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Metrtic Ton
Commodity:			
Time period:	Jan-Dec		
Imports for	2000		2001
U.S.	504,627	U.S.	562,133
Others		Others	
Australia	206,370	Australia	310,000
Canada	203,903	Canada	52,500
Total for Others	410,273		362,500
Others not listed			
Grand Total	914,900		924,633

Wheat Imports by Month, CY 2000 and CY 2001 by Country of Origin
(metric tons)

	2000			2001		
	US	Non-US 1/	Total	US	Non-US 2/	Total
January	51,617	52,500	104,117	0	0	0
February	52,499	49,289	101,788	63,749	52,500	116,249
March	0	52,500	52,500	86,249	0	86,249
April	104,998	0	104,998	0	52,500	52,500
May	0	52,500	52,500	52,495	52,500	104,995
June	46,451	49,288	95,739	52,498	52,500	104,998
July	0	0	0	0	0	0
August	52,499	49,615	102,114	62,743	0	62,743
September	52,499	52,500	104,999	64,399	52,500	116,899
October	52,499	0	52,499	0	100,000	100,000
November	39,065	0	39,065	120,000	0	120,000
December	52,500	52,081	104,581	60,000	0	60,000
Total	504,627	410,274	914,900	562,133	362,500	924,633

1/-NON-U.S. INCLUDES 206,370 MT AUSTRALIAN & 203,903 MT CANADIAN WHEAT.

2/-NON-U.S. INCLUDES 310,000 MT AUSTRALIAN & 52,500 MT CANADIAN WHEAT.